



## **Rosneft Oil Company**

Interim Condensed Consolidated Financial Statements  
(unaudited)

*Three and six months ended June 30, 2020*

Rosneft Oil Company  
Interim condensed consolidated financial statements (unaudited)  
Three and six months ended June 30, 2020

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## Report on Review of Interim Financial Information

To the Shareholders and Board of Directors  
of Rosneft Oil Company

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Rosneft Oil Company and its subsidiaries (hereinafter collectively referred to as the "Company"), which comprise the interim consolidated balance sheet as at 30 June 2020, the interim consolidated statement of profit or loss, interim consolidated statement of comprehensive income for the three and six-month periods, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended and notes to interim condensed consolidated financial statements, including a summary of significant accounting policies (interim financial information).

Management of the Company is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.



D.E. Lobachev  
Partner  
Ernst & Young LLC

14 August 2020

### **Details of the entity**

Name: Rosneft Oil Company  
Record made in the State Register of Legal Entities on 12 August 2002, State Registration Number 1027700043502.  
Address: Russia 115035, Moscow, Sofiyskaya embankment, 26/1.

### **Details of the auditor**

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.  
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".  
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Rosneft Oil Company  
Interim consolidated balance sheet

(in billions of Russian rubles)

	Notes	June 30, 2020 (unaudited)	December 31, 2019 (restated)*
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	213	228
Restricted cash	10	12	10
Other short-term financial assets	11	514	501
Accounts receivable	12	501	750
Inventories	13	342	438
Prepayments and other current assets	14	251	469
<b>Total current assets</b>		<b>1,833</b>	<b>2,396</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	8,927	8,704
Right-of-use assets		163	160
Intangible assets		73	69
Other long-term financial assets	16	238	229
Investments in associates and joint ventures		768	803
Bank loans granted		311	291
Deferred tax assets		49	33
Goodwill		93	93
Other non-current non-financial assets	17	188	171
<b>Total non-current assets</b>		<b>10,810</b>	<b>10,553</b>
<b>Total assets</b>		<b>12,643</b>	<b>12,949</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	18	1,315	1,162
Loans and borrowings and other financial liabilities	19	1,009	795
Income tax liabilities		6	23
Other tax liabilities	20	226	379
Provisions	21	65	55
Prepayment on long-term oil and petroleum products supply agreements	22	349	332
Other current liabilities		8	9
<b>Total current liabilities</b>		<b>2,978</b>	<b>2,755</b>
<b>Non-current liabilities</b>			
Loans and borrowings and other financial liabilities	19	3,246	3,033
Deferred tax liabilities		799	843
Provisions	21	434	343
Prepayment on long-term oil and petroleum products supply agreements	22	570	750
Other non-current liabilities		60	73
<b>Total non-current liabilities</b>		<b>5,109</b>	<b>5,042</b>
<b>Equity</b>			
Share capital		1	1
Treasury shares	23	(354)	-
Additional paid-in capital		635	635
Other funds and reserves		(99)	(154)
Retained earnings	23	3,750	4,035
<b>Rosneft shareholders' equity</b>		<b>3,933</b>	<b>4,517</b>
Non-controlling interests		623	635
<b>Total equity</b>		<b>4,556</b>	<b>5,152</b>
<b>Total liabilities and equity</b>		<b>12,643</b>	<b>12,949</b>

\* Some amounts have been restated to reflect the effects of finalized purchase price allocation of 2019 acquisitions (Note 4)

Chief Executive Officer \_\_\_\_\_



I.I. Sechin

August 14, 2020

*The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.*

# Rosneft Oil Company

## Interim consolidated statement of profit or loss

(in billions of Russian rubles, except earnings per share data, and share amounts)

	Notes	Three months ended June 30, 2020 (unaudited)	Three months ended June 30, 2019 (unaudited)*	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)*
<b>Revenues and equity share in profits of associates and joint ventures</b>					
Oil, gas, petroleum products and petrochemicals sales	5	1,016	2,085	2,748	4,116
Support services and other revenues		18	23	40	44
Equity share in profits of associates and joint ventures		5	27	16	52
<b>Total revenues and equity share in profits of associates and joint ventures</b>		<b>1,039</b>	<b>2,135</b>	<b>2,804</b>	<b>4,212</b>
<b>Costs and expenses</b>					
Production and operating expenses		201	143	403	305
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs		90	430	370	746
General and administrative expenses		17	46	46	111
Transportation costs and other commercial expenses		157	154	372	324
Exploration expenses		4	3	6	4
Depreciation, depletion and amortization		165	164	341	338
Taxes other than income tax	6	384	664	1,017	1,331
Export customs duty	7	53	210	180	391
<b>Total costs and expenses</b>		<b>1,071</b>	<b>1,814</b>	<b>2,735</b>	<b>3,550</b>
<b>Operating (loss)/income</b>		<b>(32)</b>	<b>321</b>	<b>69</b>	<b>662</b>
Finance income		23	37	47	77
Finance expenses	8	(25)	(56)	(105)	(120)
Other income	9	1	1	3	4
Other expenses	9	(21)	(15)	(67)	(121)
Foreign exchange differences		111	15	(66)	30
Realized foreign exchange differences on hedge instruments		1	(37)	1	(73)
<b>Income/(loss) before income tax</b>		<b>58</b>	<b>266</b>	<b>(118)</b>	<b>459</b>
Income tax (expense)/benefit	6	(13)	(46)	20	(83)
<b>Net income/(loss)</b>		<b>45</b>	<b>220</b>	<b>(98)</b>	<b>376</b>
<b>Net income/(loss) attributable to:</b>					
- Rosneft shareholders		43	194	(113)	325
- non-controlling interests		2	26	15	51
<b>Net income/(loss) attributable to Rosneft shareholders per common share (in RUB) – basic and diluted</b>					
		<b>4.35</b>	<b>18.31</b>	<b>(11.04)</b>	<b>30.67</b>
<b>Weighted average number of shares outstanding (millions)</b>					
		<b>9,875</b>	<b>10,598</b>	<b>10,236</b>	<b>10,598</b>

\* Certain amounts for the three and six months ended June 30, 2019 have been reclassified to conform to the current period presentation.

*The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.*

# Rosneft Oil Company

## Interim consolidated statement of comprehensive income

(in billions of Russian rubles)

Notes	Three months ended June 30, 2020 (unaudited)	Three months ended June 30, 2019 (unaudited)	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
<b>Net income/(loss)</b>	<b>45</b>	220	<b>(98)</b>	376
<b>Other comprehensive (loss)/income – to be reclassified to profit or loss in subsequent periods</b>				
Foreign exchange differences on translation of foreign operations	<b>(88)</b>	(10)	<b>59</b>	(57)
Foreign exchange cash flow hedges	<b>(1)</b>	37	<b>(1)</b>	73
Income from changes in fair value of debt financial assets at fair value through other comprehensive income	<b>6</b>	1	<b>2</b>	2
Equity share in other comprehensive loss of associates	–	(1)	<b>(5)</b>	(2)
Income tax related to other comprehensive (income)/loss – to be reclassified to profit or loss in subsequent periods	<b>(1)</b>	(8)	<b>1</b>	(15)
<b>Total other comprehensive (loss)/income – to be reclassified to profit or loss in subsequent periods, net of tax</b>	<b>(84)</b>	19	<b>56</b>	1
<b>Other comprehensive income/(loss) – not to be reclassified to profit or loss in subsequent periods</b>				
Income/(loss) from changes in fair value of equity financial assets at fair value through other comprehensive income	<b>1</b>	4	<b>(1)</b>	6
Income tax related to other comprehensive income – not to be reclassified to profit or loss in subsequent periods	–	(1)	–	(1)
<b>Total comprehensive income/(loss) – not to be reclassified to profit or loss in subsequent periods, net of tax</b>	<b>1</b>	3	<b>(1)</b>	5
<b>Total comprehensive (loss)/income, net of tax</b>	<b>(38)</b>	242	<b>(43)</b>	382
<b>Total comprehensive (loss)/income, net of tax, attributable to:</b>				
- Rosneft shareholders	<b>(40)</b>	216	<b>(58)</b>	331
- non-controlling interests	<b>2</b>	26	<b>15</b>	51

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

# Rosneft Oil Company

## Interim consolidated statement of changes in equity

*(in billions of Russian rubles, except share amounts)*

	Number of shares (millions)	Share capital	Treasury shares	Additional paid-in capital	Other funds and reserves	Retained earnings	Rosneft share- holders' equity	Non- controlling interests	Total equity
<b>Balance at January 1, 2019</b>	10,598	1	–	633	(191)	3,610	4,053	624	4,677
Net income	–	–	–	–	–	325	325	51	376
Other comprehensive income	–	–	–	–	6	–	6	–	6
<b>Total comprehensive income</b>	–	–	–	–	6	325	331	51	382
Dividends declared	–	–	–	–	–	(120)	(120)	(66)	(186)
Change of interest in subsidiaries	–	–	–	1	–	–	1	3	4
Other movements	–	–	–	(1)	–	–	(1)	6	5
<b>Balance at June 30, 2019 (unaudited)</b>	10,598	1	–	633	(185)	3,815	4,264	618	4,882
<b>Balance at January 1, 2020</b>	<b>10,598</b>	<b>1</b>	–	<b>635</b>	<b>(154)</b>	<b>4,035</b>	<b>4,517</b>	<b>635</b>	<b>5,152</b>
Net (loss)/income	–	–	–	–	–	(113)	(113)	15	(98)
Other comprehensive income	–	–	–	–	55	–	55	–	55
<b>Total comprehensive income/(loss)</b>	–	–	–	–	55	(113)	(58)	15	(43)
Dividends declared	–	–	–	–	–	(172)	(172)	(30)	(202)
Acquisition of treasury shares (Note 23)	(1,055)	–	(354)	–	–	–	(354)	–	(354)
Change of interest in subsidiaries	–	–	–	–	–	–	–	(1)	(1)
Other movements	–	–	–	–	–	–	–	4	4
<b>Balance at June 30, 2020 (unaudited)</b>	<b>9,543</b>	<b>1</b>	<b>(354)</b>	<b>635</b>	<b>(99)</b>	<b>3,750</b>	<b>3,933</b>	<b>623</b>	<b>4,556</b>

*The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.*



# Rosneft Oil Company

## Interim consolidated statement of cash flows

(in billions of Russian rubles)

	Notes	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
<b>Operating activities</b>			
Net income		(98)	376
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>			
Depreciation, depletion and amortization		341	338
Loss on disposal of non-current assets	9	5	6
Dry holes costs		3	2
Offset of prepayments received on oil and petroleum products long term supply agreements	22	(135)	(180)
Offset of prepayments made on oil and petroleum products long term supply agreements		9	87
Foreign exchange loss/(gain) on non-operating activities		119	(73)
Cash flow hedges reclassified to profit or loss		(1)	73
Offset of other financial liabilities		(74)	(66)
Equity share in profits of associates and joint ventures		(16)	(52)
Loss on disposal of investments		3	–
Changes in provisions for financial assets		(27)	27
Loss from changes in estimates and impairment of assets		36	95
Finance expenses	8	105	120
Finance income		(47)	(77)
Income tax (benefit)/expense	6	(20)	83
<i>Changes in operating assets and liabilities</i>			
Decrease/(increase) in accounts receivable, gross		196	(102)
Decrease/(increase) in inventories		69	(91)
Increase in restricted cash		(2)	–
Decrease/(increase) in prepayments and other current assets		96	(47)
Increase in long-term prepayments made on oil and petroleum products supply agreements		(12)	(44)
(Decrease)/increase in accounts payable and accrued liabilities		(81)	15
(Decrease)/increase in other tax liabilities		(153)	45
Increase in other current reserves		2	–
Decrease in other current liabilities		(2)	–
Increase in other non-current liabilities		1	–
Interest paid on long-term prepayment received on oil and petroleum products supply agreements		(11)	(4)
Net increase in operating assets of subsidiary banks		(21)	(24)
Net increase in operating liabilities of subsidiary banks		131	7
<b>Net cash provided by operating activities before income tax and interest</b>		<b>416</b>	<b>514</b>
Income tax payments		(82)	(109)
Interest received		48	38
Dividends received		1	19
<b>Net cash provided by operating activities</b>		<b>383</b>	<b>462</b>

*The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.*

# Rosneft Oil Company

## Interim consolidated statement of cash flows (continued)

*(in billions of Russian rubles)*

	<b>Notes</b>	<b>Six months ended June 30, 2020 (unaudited)</b>	<b>Six months ended June 30, 2019 (unaudited)</b>
<b>Investing activities</b>			
Capital expenditures		(367)	(436)
Acquisition of licenses and auction fee payments		(3)	(2)
Acquisition of short-term financial assets		(13)	(67)
Proceeds from sale of short-term financial assets		20	112
Acquisition of long-term financial assets		(4)	(8)
Proceeds from sale of long-term financial assets		1	5
Proceeds from sale of subsidiaries, net of cash disposed		(8)	5
Acquisition of interest in subsidiaries, net of cash acquired		–	(1)
Proceeds from sale of property, plant and equipment		9	3
<b>Net cash used in investing activities</b>		<b>(365)</b>	<b>(389)</b>
<b>Financing activities</b>			
Proceeds from short-term loans and borrowings		467	223
Repayment of short-term loans and borrowings		(454)	(593)
Proceeds from long-term loans and borrowings		466	212
Repayment of long-term loans and borrowings		(343)	(326)
Proceeds from other financial liabilities		54	39
Repayment of other financial liabilities		(62)	(40)
Interest paid		(125)	(141)
Other financing received		6	6
Treasury shares acquired	23	(12)	–
Dividends paid to non-controlling shareholders		(18)	(13)
Dividends paid to shareholders		(20)	–
<b>Net cash used in financing activities</b>		<b>(41)</b>	<b>(633)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(23)</b>	<b>(560)</b>
Cash and cash equivalents at beginning of period	10	228	832
Effect of foreign exchange on cash and cash equivalents		8	(27)
<b>Cash and cash equivalents at end of period</b>	10	<b>213</b>	<b>245</b>

*The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.*

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited)

Three and six months ended June 30, 2020

*(all amounts in tables are in billions of Russian rubles, except as noted otherwise)*

### 1. General

Public Joint Stock Company (“PJSC”) Rosneft Oil Company (“Rosneft”) and its subsidiaries (collectively, the “Company”) are principally engaged in exploration, development, production and sale of crude oil and gas and refining, transportation and sale of petroleum products in the Russian Federation and in certain international markets.

### 2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for 2019 prepared in accordance with International Financial Reporting Standards (“IFRS”).

These interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Company omitted disclosures which would substantially duplicate the information contained in its 2019 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Company has provided disclosures where significant events have occurred subsequently to the issuance of its 2019 audited consolidated financial statements. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to ensure that the presented information is not misleading if these interim condensed consolidated financial statements are read in conjunction with the Company’s 2019 audited consolidated financial statements and the notes related thereto. In the opinion of management, the financial statements reflect all adjustments necessary to present fairly the Company’s financial position, results of operations, statements of changes in equity and cash flows for the interim reporting periods.

The Company maintains its books and records and prepares financial statements in accordance with accounting and taxation principles and practices mandated by legislation of the relevant jurisdictions. The accompanying IFRS interim condensed consolidated financial statements were derived from the Company’s statutory books and records.

The Company’s interim condensed consolidated financial statements are presented in billions of Russian rubles (“RUB”), unless otherwise indicated.

The interim condensed consolidated financial statements for the three and six months ended June 30, 2020 were approved and authorized for issue by the Chief Executive Officer of the Company on August 14, 2020.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the Revised version of Conceptual Framework for Financial Reporting as well as amendments to existing standards effective as of January 1, 2020:

- *Revised version of Conceptual Framework for Financial Reporting.* In particular, the revised version introduced new definitions of assets and liabilities, as well as amended definitions of income and expenses. The revised version of *Conceptual Framework* did not have a material impact on the consolidated financial statements.
- *Amendments to IFRS 3 Business Combinations.* The amendments enhanced definition of a business set out by the standard. The amendments did not have a material impact on the consolidated financial statements.
- *Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.* The amendments to IAS 1 and IAS 8 introduced new definition of material. The amendments did not have a material impact on the consolidated financial statements.
- *Amendments to IFRS 7 Financial instruments: Disclosures and IFRS 9 Financial instruments named Interest Rate Benchmark Reform.* The amendments provided relief from certain requirements of hedge accounting, as their fulfillment could lead to discontinuation of hedge accounting due to uncertainty caused by the reform. The amendments did not have a material impact on the consolidated financial statements.

### 4. Acquisitions and disposals of subsidiaries and shares in joint operations

#### 2020

##### *Disposals of assets in Venezuela*

On April 30, 2020, the Company closed a previously announced transaction to transfer all assets in Venezuela to a company 100% owned by the Government of the Russian Federation, including interests in Petromonagas, Petroperija, Boqueron, Petromiranda and Petrovictoria exploration and production entities, as well as in oilfield services companies, commercial and trading operations. The Company's operations in Venezuela have been completely discontinued. As a result of the transaction, a 100% subsidiary of the Company became the owner of 9.6% of the registered ordinary shares of Rosneft (Note 23).

The above mentioned transaction under common control was recorded in the consolidated financial statements of the Company by charging the Statement of profit or loss with the difference between the fair market value at the date of transaction of the treasury shares received, and the carrying value of the disposed assets and investments in Venezuela at the same date.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 4. Acquisitions and disposals of subsidiaries and shares in joint operations (continued)

#### 2020 (continued)

The effects of the transaction on the Company's financial statements are summarized below (in billions of RUB):

Treasury shares (decrease in share capital)	342
Reclassification of the foreign exchange differences (decrease in equity)	23
Deferred tax on foreign exchange differences	1
	<hr/>
	<b>366</b>
Less carrying amount of investments and other assets transferred	(369)
	<hr/>
<b>Net result recorded in the Statement of Profit or Loss</b>	<b>(3)</b>
	<hr/> <hr/>

Cash flows arising as a result of the transaction:

Cash disposed as a result of disposal of assets in Venezuela	8
Cash received as a result of transaction	-
	<hr/>
<b>Net cash outflow</b>	<b>8</b>
	<hr/> <hr/>

25% of the assets disposed off relates to Exploration and production segment, 75% – to Refining and distribution.

The net result of the transaction is included in Other expenses in the Interim Consolidated Statement of Profit or Loss for the three and six months ended June 30, 2020. (Note 9).

#### 2019

#### *Acquisition of 100% shares in the entities of “Petersburg Fuel Company” group*

In July 2019 Company completed the acquisition of 100% shares in “Petersburg Fuel Company” group (“PTK”). Fair value of consideration amounted to RUB 13 billion, including contingent consideration. The acquisition of PTK is in line with the Company's strategy aimed at developing the retail business and expanding its presence in key regions of the country.

As of June 30, 2020 the Company completed the assessment of the fair values of assets acquired and liabilities assumed.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 4. Acquisitions and disposals of subsidiaries and shares in joint operations (continued)

#### 2019 (continued)

Final allocation of the purchase price to the fair value of assets acquired and liabilities assumed is summarized below:

#### ASSETS

##### Current assets

Accounts receivable and other assets

1

##### Total current assets

1

##### Non-current assets

Property, plant and equipment

8

##### Total non-current assets

8

##### Total assets

9

#### LIABILITIES

##### Current liabilities

Accounts payable and accrued liabilities

1

Loans and borrowings and other financial liabilities

1

##### Total current liabilities

2

##### Non-current liabilities

Loans and borrowings and other financial liabilities

1

Deferred tax liabilities

1

##### Total non-current liabilities

2

##### Total liabilities

4

##### Total identifiable net assets at fair value

5

##### Total consideration transferred

13

##### Goodwill

8

The “PTK” acquisition will provide the Company with an additional synergy effect and will increase the efficiency of the fuel supply channel.

Had the “PTK” acquisition taken place at the beginning of the reporting period (January 1, 2019), revenues and net profit of the combined entity for the six months ended June 30, 2019 would have been RUB 4,215 billion and RUB 377 billion, respectively.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 4. Acquisitions of subsidiaries and shares in joint operations (continued)

#### 2019 (continued)

The effects of finalized allocation of the purchase price to the fair value of assets acquired and liabilities assumed on the consolidated balance sheet of the Company at December 31, 2019 are summarized below:

	Before update in estimates December 31, 2019	Effect of update	After update in estimates December 31, 2019
<b>ASSETS</b>			
<b>Total current assets</b>	<b>2,396</b>	–	<b>2,396</b>
<b>Non-current assets</b>			
Property, plant and equipment	8,713	(9)	8,704
Right-of-use assets	160	–	160
Intangible assets	69	–	69
Other long-term financial assets	229	–	229
Investments in associates and joint ventures	803	–	803
Bank loans granted	291	–	291
Deferred tax assets	33	–	33
Goodwill	85	8	93
Other non-current non-financial assets	171	–	171
<b>Total non-current assets</b>	<b>10,554</b>	<b>(1)</b>	<b>10,553</b>
<b>Total assets</b>	<b>12,950</b>	<b>(1)</b>	<b>12,949</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Total current liabilities</b>	<b>2,755</b>	–	<b>2,755</b>
<b>Non-current liabilities</b>			
Loans and borrowings and other financial liabilities	3,033	–	3,033
Deferred tax liabilities	844	(1)	843
Provisions	343	–	343
Prepayment on long-term oil and petroleum products supply agreements	750	–	750
Other non-current liabilities	73	–	73
<b>Total non-current liabilities</b>	<b>5,043</b>	<b>(1)</b>	<b>5,042</b>
<b>Total equity</b>	<b>5,152</b>	–	<b>5,152</b>
<b>Total liabilities and equity</b>	<b>12,950</b>	<b>(1)</b>	<b>12,949</b>

### 5. Segment information

The Company determines its operating segments based on the nature of their operations. The performance of these operating segments is assessed by management on a regular basis. The Exploration and production segment is engaged in field exploration and the production of crude oil and natural gas. The Refining and distribution segment is engaged in processing crude oil and other hydrocarbons into petroleum products, as well as in the purchase, sale and transportation of crude oil and petroleum products. Corporate and other unallocated activities are not part of any operating segment and include corporate activity, activities involved in field development, the maintenance of infrastructure and the functioning of the first two segments, as well as banking and finance services, and other activities. Substantially all of the Company's operations and assets are located in the Russian Federation.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 5. Segment information (continued)

Segment performance is evaluated based on both revenues and operating income, which are measured on the same basis as in the consolidated financial statements, but with intersegment transactions revalued at market prices.

The performance of the operating segments for the three months ended June 30, 2020 (unaudited) is shown below:

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Adjustments	Consolidated
<b>Total revenues and equity share in profits of associates and joint ventures</b>	493	1,057	54	(565)	1,039
<i>Including: equity share in profits of associates and joint ventures</i>	<i>1</i>	<i>4</i>	<i>–</i>	<i>–</i>	<i>5</i>
<b>Costs and expenses</b>					
Costs and expenses other than depreciation, depletion and amortization	337	1,075	59	(565)	906
Depreciation, depletion and amortization	133	28	4	–	165
<b>Total costs and expenses</b>	470	1,103	63	(565)	1,071
<b>Operating income/(loss)</b>	23	(46)	(9)	–	(32)
Finance income	–	–	23	–	23
Finance expenses	–	–	(25)	–	(25)
<b>Total finance expenses</b>	–	–	(2)	–	(2)
Other income	–	–	1	–	1
Other expenses	–	–	(21)	–	(21)
Foreign exchange differences	–	–	111	–	111
Realized foreign exchange differences on hedge instruments	–	–	1	–	1
<b>Income/(loss) before income tax</b>	23	(46)	81	–	58
Income tax (expense)/benefit	(4)	10	(19)	–	(13)
<b>Net income/(loss)</b>	19	(36)	62	–	45



# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 5. Segment information (continued)

The performance of the operating segments for the three months ended June 30, 2019 (unaudited) is shown below:

	<b>Exploration and production</b>	<b>Refining and distribution</b>	<b>Corporate and other unallocated activities</b>	<b>Adjustments</b>	<b>Consolidated</b>
<b>Total revenues and equity share in profits of associates and joint ventures</b>	1,250	2,124	38	(1,277)	2,135
<i>Including: equity share in profits of associates and joint ventures</i>	<i>17</i>	<i>10</i>	<i>–</i>	<i>–</i>	<i>27</i>
<b>Costs and expenses</b>					
Costs and expenses other than depreciation, depletion and amortization	762	2,112	53	(1,277)	1,650
Depreciation, depletion and amortization	134	27	3	–	164
<b>Total costs and expenses</b>	896	2,139	56	(1,277)	1,814
<b>Operating income/(loss)</b>	354	(15)	(18)	–	321
Finance income	–	–	37	–	37
Finance expenses	–	–	(56)	–	(56)
<b>Total finance expenses</b>	–	–	(19)	–	(19)
Other income	–	–	1	–	1
Other expenses	–	–	(15)	–	(15)
Foreign exchange differences	–	–	15	–	15
Realized foreign exchange differences on hedge instruments	–	–	(37)	–	(37)
<b>Income/(loss) before income tax</b>	354	(15)	(73)	–	266
Income tax expense	(67)	3	18	–	(46)
<b>Net income/(loss)</b>	287	(12)	(55)	–	220

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 5. Segment information (continued)

The performance of the operating segments for the six months ended June 30, 2020 (unaudited) is shown below:

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Adjustments	Consolidated
<b>Total revenues and equity share in profits of associates and joint ventures</b>	<b>1,356</b>	<b>2,835</b>	<b>106</b>	<b>(1,493)</b>	<b>2,804</b>
<i>Including: equity share in profits of associates and joint ventures</i>	<i>3</i>	<i>12</i>	<i>1</i>	<i>–</i>	<i>16</i>
<b>Costs and expenses</b>					
Costs and expenses other than depreciation, depletion and amortization	963	2,797	127	(1,493)	2,394
Depreciation, depletion and amortization	278	55	8	–	341
<b>Total costs and expenses</b>	<b>1,241</b>	<b>2,852</b>	<b>135</b>	<b>(1,493)</b>	<b>2,735</b>
<b>Operating income/(loss)</b>	<b>115</b>	<b>(17)</b>	<b>(29)</b>	<b>–</b>	<b>69</b>
Finance income	–	–	47	–	47
Finance expenses	–	–	(105)	–	(105)
<b>Total finance expenses</b>	<b>–</b>	<b>–</b>	<b>(58)</b>	<b>–</b>	<b>(58)</b>
Other income	–	–	3	–	3
Other expenses	–	–	(67)	–	(67)
Foreign exchange differences	–	–	(66)	–	(66)
Realized foreign exchange differences on hedge instruments	–	–	1	–	1
<b>Income/(loss) before income tax</b>	<b>115</b>	<b>(17)</b>	<b>(216)</b>	<b>–</b>	<b>(118)</b>
Income tax (expense)/benefit	(22)	6	36	–	20
<b>Net income/(loss)</b>	<b>93</b>	<b>(11)</b>	<b>(180)</b>	<b>–</b>	<b>(98)</b>

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 5. Segment information (continued)

The performance of the operating segments for the six months ended June 30, 2019 (unaudited) is shown below:

	<b>Exploration and production</b>	<b>Refining and distribution</b>	<b>Corporate and other unallocated activities</b>	<b>Adjustments</b>	<b>Consolidated</b>
<b>Total revenues and equity share in profits of associates and joint ventures</b>	2,473	4,188	74	(2,523)	4,212
<i>Including: equity share in profits of associates and joint ventures</i>	<i>40</i>	<i>10</i>	<i>2</i>	<i>–</i>	<i>52</i>
<b>Costs and expenses</b>					
Costs and expenses other than depreciation, depletion and amortization	1,487	4,154*	94	(2,523)	3,212
Depreciation, depletion and amortization	276	57	5	–	338
<b>Total costs and expenses</b>	<b>1,763</b>	<b>4,211</b>	<b>99</b>	<b>(2,523)</b>	<b>3,550</b>
<b>Operating income/(loss)</b>	<b>710</b>	<b>(23)</b>	<b>(25)</b>	<b>–</b>	<b>662</b>
Finance income	–	–	77	–	77
Finance expenses	–	–	(120)	–	(120)
<b>Total finance expenses</b>	<b>–</b>	<b>–</b>	<b>(43)</b>	<b>–</b>	<b>(43)</b>
Other income	–	–	4	–	4
Other expenses	–	–	(121)	–	(121)
Foreign exchange differences	–	–	30	–	30
Realized foreign exchange differences on hedge instruments	–	–	(73)	–	(73)
<b>Income/(loss) before income tax</b>	<b>710</b>	<b>(23)</b>	<b>(228)</b>	<b>–</b>	<b>459</b>
Income tax expense	(134)	5	46	–	(83)
<b>Net income/(loss)</b>	<b>576</b>	<b>(18)</b>	<b>(182)</b>	<b>–</b>	<b>376</b>

\* Including reclassification of allowance for expected credit losses of RUB 27 bln from the Corporate segment.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 5. Segment information (continued)

Oil, gas, petroleum products and petrochemicals sales comprise the following (based on the country indicated in the bill of lading):

	Three months ended June 30, 2020 (unaudited)	Three months ended June 30, 2019 (unaudited)	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
International sales of crude oil, petroleum products and petrochemicals – non-CIS	610	1,525	1,865	2,980
International sales of crude oil, petroleum products and petrochemicals – CIS, other than Russia	39	84	61	173
Domestic sales of crude oil, petroleum products and petrochemicals	314	415	706	833
Sales of gas	53	61	116	130
<b>Total oil, gas, petroleum products and petrochemicals sales</b>	<b>1,016</b>	<b>2,085</b>	<b>2,748</b>	<b>4,116</b>

### 6. Income tax and other taxes

Income tax comprise the following:

	Three months ended June 30, 2020 (unaudited)	Three months ended June 30, 2019 (unaudited)	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Current income tax expense	29	49	41	102
Deferred tax benefit due to the origination and reversal of temporary differences	(16)	(3)	(61)	(19)
<b>Total income tax expense/(benefit)</b>	<b>13</b>	<b>46</b>	<b>(20)</b>	<b>83</b>

In 2012 the Company has created a consolidated group of taxpayers (hereinafter “CGT”) which includes Rosneft and its subsidiaries. Rosneft became the responsible taxpayer of the CGT. At present, under the terms of the agreement the number of members in the consolidated group of taxpayers is 64.

In addition to income tax, the Company accrued other taxes as follows:

	Three months ended June 30, 2020 (unaudited)	Three months ended June 30, 2019 (unaudited)	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Mineral extraction tax	182	567	627	1,115
Excise tax	159	47	284	121
Property tax	10	10	20	19
Insurance contributions	23	19	46	37
Tax on additional income from production of hydrocarbons	7	19	36	35
Other	3	2	4	4
<b>Total taxes other than income tax</b>	<b>384</b>	<b>664</b>	<b>1,017</b>	<b>1,331</b>

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 6. Income and other taxes (continued)

In accordance with the Federal Law No. 199-FZ *On Amending Parts One and Two of the Tax Code of the Russian Federation* enacted on July 19, 2018 the tax on additional income (hereinafter AIT) from production of hydrocarbons was introduced for a number of oil fields starting from January 1, 2019. The AIT tax rate is 50% charged on the income from the hydrocarbons sales calculated as the difference between the estimated sales revenues and certain costs associated with the production, preparation and transportation of hydrocarbons. At the same time the MET for these oil fields is charged at a reduced rate. Several Company's oil fields have implemented the new tax regime starting from January 1, 2019.

### 7. Export customs duty

Export customs duty comprises the following:

	Three months ended June 30, 2020 (unaudited)	Three months ended June 30, 2019 (unaudited)	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Export customs duty on oil sales	38	161	118	292
Export customs duty on petroleum products and petrochemicals sales	15	49	62	99
<b>Total export customs duty</b>	<b>53</b>	<b>210</b>	<b>180</b>	<b>391</b>

During the first half of 2020, following the adoption of Federal law No. 24-FZ dated February 18, 2020 the one-off effect amounting to RUB 30 bln was recorded to reflect the customs duty exemption for the 2019 export deliveries of crude oil produced in certain subsoil areas where the tax on additional income regime was implemented in 2019.

### 8. Finance expenses

Finance expenses comprise the following:

	Three months ended June 30, 2020 (unaudited)	Three months ended June 30, 2019 (unaudited)	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
<b>Interest expenses on</b>				
Loans and borrowings	(28)	(26)	(52)	(57)
Interest on the lease liability	(1)	(1)	(3)	(2)
Prepayment on long-term oil and petroleum products supply agreements (Note 22)	(9)	(19)	(21)	(40)
Other interest expenses	(4)	(4)	(9)	(8)
<b>Total interest expenses</b>	<b>(42)</b>	<b>(50)</b>	<b>(85)</b>	<b>(107)</b>
Increase in provision due to the unwinding of a discount	(6)	(5)	(12)	(10)
Increase in allowance for expected credit losses on debt financial assets at amortized cost	–	(1)	(1)	(2)
Change in fair value of financial assets measured at fair value through profit or loss	20	–	(2)	–
Net gain/(loss) from operations with derivative financial instruments	4	–	(3)	–
Other finance expenses	(1)	–	(2)	(1)
<b>Total finance expenses</b>	<b>(25)</b>	<b>(56)</b>	<b>(105)</b>	<b>(120)</b>

## Rosneft Oil Company

### Notes to the interim condensed consolidated financial statements (unaudited) (continued)

#### 9. Other income and expenses

Other income and expenses comprise the following:

	Three months ended June 30, 2020 (unaudited)	Three months ended June 30, 2019 (unaudited)	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Insurance recoveries	–	–	1	2
Other	1	1	2	2
<b>Total other income</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>4</b>
Sale and disposal of property, plant and equipment and intangible assets	(4)	(4)	(5)	(6)
Impairment of assets	–	–	(27)	(90)
Social payments, charity, financial aid	(4)	(4)	(8)	(10)
Other	(13)	(7)	(27)	(15)
<b>Total other expenses</b>	<b>(21)</b>	<b>(15)</b>	<b>(67)</b>	<b>(121)</b>

Impairment of assets during the first half 2020 relates to joint ventures and exploration and evaluation assets (Note 15).

#### 10. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	June 30, 2020 (unaudited)	December 31, 2019
Cash on hand and in bank accounts in RUB	56	14
Cash on hand and in bank accounts in foreign currencies	37	92
Deposits	116	109
Other	4	13
<b>Total cash and cash equivalents</b>	<b>213</b>	<b>228</b>

Cash accounts denominated in foreign currencies primarily comprise cash in U.S. dollars and euro.

Deposits are interest bearing and denominated in RUB and U.S. dollars.

Restricted cash includes the obligatory reserve of subsidiary banks with the CBR in the amount of RUB 7 billion as of June 30, 2020 and December 31, 2019.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 11. Other short-term financial assets

Other short-term financial assets comprise the following:

	June 30, 2020 (unaudited)	December 31, 2019
<b>Financial assets at fair value through other comprehensive income</b>		
Bonds	166	158
Promissory notes	167	151
Shares	45	46
Loans granted under reverse repurchase agreements	55	55
<b>Financial assets at amortized cost</b>		
Bonds	2	1
Loans issued	7	7
Loans issued to associates and joint ventures	–	19
Deposits and certificates of deposit	70	60
<b>Financial assets at fair value through profit or loss</b>		
Deposits	1	1
Bonds	1	1
<b>Derivative financial instruments</b>	–	2
<b>Total other short-term financial assets</b>	<b>514</b>	<b>501</b>

### 12. Accounts receivable

Accounts receivable include the following:

	June 30, 2020 (unaudited)	December 31, 2019
Trade receivables	357	678
Bank loans to customers	157	130
Other accounts receivable	57	37
<b>Total</b>	571	845
Allowance for expected credit losses	(70)	(95)
<b>Total accounts receivable, net of allowance</b>	<b>501</b>	<b>750</b>

As of June 30, 2020 and December 31, 2019 accounts receivable were not pledged as collateral for loans and borrowings provided to the Company, except as discussed in Note 19.

## Rosneft Oil Company

### Notes to the interim condensed consolidated financial statements (unaudited) (continued)

#### 12. Accounts receivable (continued)

Set out below is the movement in the allowance for expected credit losses on accounts receivable:

	As of January 1, 2020	Increase in allowance	Decrease in allowance	As of June 30, 2020
Allowance at an amount equal to 12-month expected credit losses on trade receivables	47	15	(40)	22
Allowance at an amount equal to lifetime expected credit losses on trade receivables	27	2	–	29
Allowance for expected credit losses on other accounts receivable	21	5	(7)	19
<b>Total</b>	<b>95</b>	<b>22</b>	<b>(47)</b>	<b>70</b>

Due to overall high credit quality and short-term nature of trade receivables, the allowance for expected credit losses for significant counterparties is determined based on 12-month expected credit losses. The Company has no trade receivables that were credit impaired upon initial recognition.

#### 13. Inventories

Inventories comprise the following:

	June 30, 2020 (unaudited)	December 31, 2019
Crude oil and gas	70	135
Petroleum products and petrochemicals	141	186
Materials and supplies	131	117
<b>Total inventories</b>	<b>342</b>	<b>438</b>

Petroleum products and petrochemicals include those designated both for sale and for own use.

	Three months ended June 30, 2020 (unaudited)	Three months ended June 30, 2019 (unaudited)	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Cost of inventories recognized as an expense during the period	114	468	427	831

The cost of inventories recognized as an expense during the period is included in Production and operating expenses, Cost of purchased oil, gas, petroleum products and refining costs and General and administrative expenses in the interim consolidated statement of profit or loss.



# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 14. Prepayments and other current assets

Prepayments and other current assets comprise the following:

	June 30, 2020 (unaudited)	December 31, 2019
Value added tax and excise receivable	123	183
Prepayments to suppliers	82	209
- <i>Current portion of long-term prepayments issued</i>	31	64
Settlements with customs	7	34
Profit and other tax payments	29	35
Other	10	8
<b>Total prepayments and other current assets</b>	<b>251</b>	<b>469</b>

Settlements with customs primarily represent prepaid export duties related to the export of crude oil and petroleum products (Note 7).

### 15. Property, plant and equipment

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Total
<b>Cost as of January 1, 2020 (restated)</b>	<b>10,537</b>	<b>2,419</b>	<b>154</b>	<b>13,110</b>
Depreciation, depletion and impairment losses as of January 1, 2020 (restated)	(3,670)	(743)	(57)	(4,470)
<b>Net book value as of January 1, 2020 (restated)</b>	<b>6,867</b>	<b>1,676</b>	<b>97</b>	<b>8,640</b>
Prepayments for property, plant and equipment as of January 1, 2020	17	13	34	64
<b>Total as of January 1, 2020 (restated)</b>	<b>6,884</b>	<b>1,689</b>	<b>131</b>	<b>8,704</b>
<b>Cost</b>				
Additions	390	36	4	430
<i>Including capitalized expenses on loans and borrowings</i>	66	20	–	86
Disposals and other movements	(35)	(10)	–	(45)
Foreign exchange differences	100	27	2	129
Cost of asset retirement (decommissioning) obligations	72	–	–	72
<b>As of June 30, 2020</b>	<b>11,064</b>	<b>2,472</b>	<b>160</b>	<b>13,696</b>
<b>Depreciation, depletion and impairment losses</b>				
Depreciation and depletion charge	(274)	(48)	(5)	(327)
Disposals and other movements	19	3	–	22
Impairment of assets (Note 9)	(8)	–	–	(8)
Foreign exchange differences	(47)	(6)	(1)	(54)
<b>As of June 30, 2020</b>	<b>(3,980)</b>	<b>(794)</b>	<b>(63)</b>	<b>(4,837)</b>
<b>Net book value as of June 30, 2020</b>	<b>7,084</b>	<b>1,678</b>	<b>97</b>	<b>8,859</b>
Prepayments for property, plant and equipment as of June 30, 2020	22	44	2	68
<b>Total as of June 30, 2020</b>	<b>7,106</b>	<b>1,722</b>	<b>99</b>	<b>8,927</b>

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 15. Property, plant and equipment (continued)

The depreciation charge for the six months ended June 30, 2020 includes RUB 7 billion of depreciation which was capitalized as part of the construction cost of property, plant and equipment and cost of inventory.

As of January 1, 2020, certain items of property, plant and equipment were reallocated between segments Exploration and production and Corporate and other activities due to the changes in the management structure.

The Company capitalized RUB 86 billion (including RUB 68 billion in capitalized interest expense) and RUB 82 billion (including RUB 82 billion in capitalized interest expense) of expenses on loans and borrowings for the six months ended June 30, 2020 and 2019, respectively. The weighted average semiannual rates used to determine the amount of borrowing costs eligible for capitalization were 2.97% and 3.62% for the six months ended June 30, 2020 and 2019, respectively.

### 16. Other long-term financial assets

Other long-term financial assets comprise the following:

	<b>June 30, 2020 (unaudited)</b>	<b>December 31, 2019</b>
<b>Financial assets at fair value through other comprehensive income</b>		
Stocks and shares	20	21
<b>Financial assets at amortized cost</b>		
Bonds	26	26
Loans granted	21	18
Loans granted to associates and joint ventures	5	12
Deposits and certificates of deposit	22	20
Other accounts receivable	11	10
<b>Financial assets at fair value through profit or loss</b>		
Deposits	133	122
<b>Total other long-term financial assets</b>	<b>238</b>	<b>229</b>

Bank deposits of the Company are placed in rubles, US dollars and euros at interest rates ranging 1.5%-8.75% p.a.

Bonds mainly include federal loan bonds.

No long-term financial assets were pledged as collateral as of June 30, 2020 and December 31, 2019.

### 17. Other non-current non-financial assets

Other non-current non-financial assets comprise the following:

	<b>June 30, 2020 (unaudited)</b>	<b>December 31, 2019</b>
Long-term advances issued	186	169
Other	2	2
<b>Total other non-current non-financial assets</b>	<b>188</b>	<b>171</b>

Long-term advances issued represent primarily advance payments under contracts for future crude oil purchases.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 18. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	June 30, 2020 (unaudited)	December 31, 2019
<b>Financial liabilities</b>		
Accounts payable to suppliers and contractors	400	544
Current operating liabilities of subsidiary banks	603	438
Salary and other benefits payable	99	102
Dividends payable	165	1
Other accounts payable	16	19
<b>Total financial liabilities</b>	<b>1,283</b>	<b>1,104</b>
<b>Non-financial liabilities</b>		
Short-term advances received	32	58
<b>Total accounts payable and accrued liabilities</b>	<b>1,315</b>	<b>1,162</b>

Trade and other payables are non-interest bearing.

### 19. Loans and borrowings and other financial liabilities

Loans and borrowings and other financial liabilities comprise the following:

	Currency	June 30, 2020 (unaudited)	December 31, 2019
<b>Long-term</b>			
Bank loans	RUB	294	397
Bank loans	US\$, euro	839	745
Bonds	RUB	572	548
Eurobonds	US\$	142	157
Borrowings	RUB	118	111
Borrowings	US\$	29	–
Other borrowings	RUB	704	503
Other borrowings	US\$	748	643
<i>Less: current portion of long-term loans and borrowings</i>		<i>(428)</i>	<i>(315)</i>
<b>Total long-term loans and borrowings</b>		<b>3,018</b>	<b>2,789</b>
Lease liabilities		161	146
Other long-term financial liabilities		87	116
<i>Less: current portion of long-term lease liabilities</i>		<i>(20)</i>	<i>(18)</i>
<b>Total long-term loans and borrowings and other financial liabilities</b>		<b>3,246</b>	<b>3,033</b>
<b>Short-term</b>			
Bank loans	RUB	275	87
Bank loans	US\$, euro	–	36
Borrowings	RUB	1	1
Borrowings	US\$	15	7
Other borrowings	RUB	61	159
Other borrowings	US\$	3	3
<i>Current portion of long-term loans and borrowings</i>		<i>428</i>	<i>315</i>
<b>Total short-term loans and borrowings and current portion of long-term loans and borrowings</b>		<b>783</b>	<b>608</b>
<i>Current portion of long-term lease liabilities</i>		<i>20</i>	<i>18</i>
Other short-term financial liabilities		201	168
Short-term liabilities related to derivative financial instruments		5	1
<b>Total short-term loans and borrowings and other financial liabilities</b>		<b>1,009</b>	<b>795</b>
<b>Total loans and borrowings and other financial liabilities</b>		<b>4,255</b>	<b>3,828</b>

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### **19. Loans and borrowings and other financial liabilities (continued)**

#### **Long-term loans and borrowings**

Long-term bank loans from a foreign bank are denominated in U.S. dollars are partially secured by oil export contracts. If the Company fails to make timely debt repayments, the terms of such contracts normally provide the lender with the express right of claim to contractual revenue in the amount of the late loan repayments, which the purchaser generally remits directly through transit currency accounts with the lender banks. The outstanding balance of Accounts receivable arising from such contracts amounts to RUB 17 billion as of June 30, 2020 and RUB 32 billion as of December 31, 2019, respectively, and is included in Trade receivables.

During the first half of 2020, the Company fully repaid Eurobonds (Series 8) of USD 0.5 billion (RUB 31.6 billion at the CBR official exchange rate at the transaction date) assumed in the TNK-BP acquisition.

During the first half of 2020 the Company drew down funds under long-term fixed rates loans from Russian banks.

During the first half of 2020 the Company placed documentary fixed interest-bearing non-convertible long-term bonds with total value of RUB 24.1 billion.

During the first half of 2020 the Company continued to settle other long-term borrowings under the repurchasing agreement operations and entered into the new transactions. As of June 30, 2020, the liabilities of the Company under those transactions amounted to the equivalent of RUB 1,452 billion at the CBR official exchange rate as of June 30, 2020. The Company's own corporate bonds were used as an instrument for those transactions.

The Company is obliged to comply with a number of restrictive financial and other covenants contained in several of its loan agreements. Such covenants include maintaining certain financial ratios. As of June 30, 2020 and December 31, 2019 the Company was in compliance with all restrictive financial and other covenants contained in its loan agreements.

#### **Short-term loans and borrowings**

During the first half of 2020 the Company drew down funds under short-term fixed and floating rates loans from Russian banks.

During the first half of 2020 the Company continued to settle other short-term borrowings under the repurchasing agreement operations and entered into the new transactions. As of June 30, 2020 the liabilities of the Company under those transactions amounted to the equivalent of RUB 64 billion (at the CBR official exchange rate as of June 30, 2020). Own corporate bonds were used as an instrument for those transactions.

During the first half of 2020 the Company was current on all payments under loan agreements and interest payments.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 19. Loans and borrowings and other financial liabilities (continued)

#### Liabilities related to derivative financial instruments

Short-term liabilities related to derivative financial instruments mainly include liabilities related to cross-currency rate swaps.

The Company enters into cross-currency rate swaps to sell currencies in order to balance the currency of revenues and liabilities and reduce the overall interest rates on borrowings.

The cross-currency rate swaps are recorded in the consolidated balance sheet at fair value. The measurement of the fair value of the transactions is based on a discounted cash flow model and consensus forecasts of foreign currency rates. The consensus forecasts include forecasts of the major international banks and agencies. The Bloomberg system is the main information source for the model.

### 20. Other current tax liabilities

Other current tax liabilities comprise the following:

	June 30, 2020 (unaudited)	December 31, 2019
Mineral extraction tax	84	181
VAT	68	123
Excise duties	54	30
Property tax	10	9
Tax on additional income from production of hydrocarbons	5	31
Personal income tax	3	3
Other	2	2
<b>Total other tax liabilities</b>	<b>226</b>	<b>379</b>

### 21. Provisions

	Asset retirement obligations	Environmental remediation provision	Legal and tax claims and other provisions	Total
<b>As of January 1, 2020, including</b>	<b>315</b>	<b>47</b>	<b>36</b>	<b>398</b>
<i>Non-current</i>	309	31	3	343
<i>Current</i>	6	16	33	55
Provisions charged during the year	2	2	12	16
Increase/(decrease) in the liability resulting from:				
Changes in estimates	–	–	(1)	(1)
Changes in the discount rate	70	–	–	70
Foreign exchange differences	8	–	3	11
Unwinding of discount	11	1	–	12
Utilization	(2)	(3)	(2)	(7)
<b>As of June 30, 2020 (unaudited), including</b>	<b>404</b>	<b>47</b>	<b>48</b>	<b>499</b>
<i>Non-current</i>	399	32	3	434
<i>Current</i>	5	15	45	65

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 22. Prepayment on long-term oil and petroleum products supply agreements

During 2013-2014 the Company entered into a number of long-term crude oil and petroleum products supply contracts which require the buyer to make a prepayment. The total minimum delivery volume under those contracts at inception approximated 400 million tonnes. The crude oil and petroleum product prices are based on current market prices. The prepayments are settled through physical deliveries of crude oil and petroleum products.

Deliveries of oil and petroleum products that reduce the prepayment amounts commenced in 2015. The Company considers these contracts to be regular-way contracts.

	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
<b>As of January 1</b>	<b>1,082</b>	1,426
Received	–	–
Reclassified	(28)	–
Settled	(135)	(180)
<b>Total prepayment on long-term oil and petroleum products supply agreements</b>	<b>919</b>	1,246
Less current portion	(349)	(357)
<b>As of June 30</b>	<b>570</b>	889

The off-set amounts under these contracts were RUB 135 billion and RUB 180 billion (US\$ 2.89 billion and US\$ 3.74 billion at the CBR official exchange rate at the prepayment dates, the prepayments are not revalued at each balance sheet date), for the first half of 2020 and 2019 respectively.

### 23. Shareholders' equity

On June 4, 2019 the Annual General Shareholders' Meeting approved dividends on the Company's common shares for 2018 in the amount of RUB 11.33 per share, which comprised RUB 120.1 billion.

On September 30, 2019 the Extraordinary Shareholders' Meeting approved interim dividends on the Company's common shares for the first half of 2019 in the amount of RUB 15.34 per share, which comprised RUB 162.6 billion.

On June 2, 2020 the Annual General Shareholders' Meeting approved dividends on the Company's common shares for 2019 in the amount of RUB 18.07 per share, which comprised RUB 172.5 billion (excluding dividends related to treasury shares).

During the first half of 2020 the Company acquired 37,744,753 treasury shares (including in form of global depository receipts) in the amount of RUB 12.1 billion, as a part of the share buyback program.

Shares received in the exchange for the investments and assets in Venezuela (Note 4) were valued at the Company's shares quoted price on the transaction date (April 30, 2020) in the amount of RUB 341.5 billion.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 24. Fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities quoted on active liquid markets is determined in accordance with market prices;
- The fair value of other financial assets and liabilities is determined in accordance with generally accepted models and is based on discounted cash flow analysis that relies on prices used for existing transactions in the current market;
- The fair value of derivative financial instruments is based on market quotes. In illiquid and highly volatile markets fair value is determined on the basis of valuation models that rely on assumptions confirmed by observable market prices or rates as of the reporting date.

Assets and liabilities of the Company that are measured at fair value on a recurring basis in accordance with the fair value hierarchy are presented in the table below.

<b>Fair value measurement as of June 30, 2020</b>				
<b>(unaudited)</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets</b>				
Financial assets at fair value through other comprehensive income	68	357	8	433
Financial assets at fair value recognized in profit or loss	–	2	–	2
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income	–	20	–	20
Financial assets at fair value recognized in profit or loss	–	133	–	133
<b>Total assets measured at fair value</b>	<b>68</b>	<b>512</b>	<b>8</b>	<b>588</b>
<b>Liabilities</b>				
Derivative financial instruments	–	(5)	–	(5)
<b>Total liabilities measured at fair value</b>	–	(5)	–	(5)

The fair value of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments included in Level 2 is measured at the present value of future estimated cash flows, using inputs such as market interest rates and market quotes of forward exchange rates.

The carrying value of cash and cash equivalents and derivative financial instruments recognized in these interim condensed consolidated financial statements equals their fair value.

The carrying value of accounts receivable and accounts payable, loans issued, other financial assets and other financial liabilities recognized in these interim condensed consolidated financial statements approximates their fair value.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 24. Fair value of financial instruments (continued)

There were no transfers of financial assets and liabilities between levels during the reporting period.

	Carrying value		Fair value (Level 2)	
	June 30, 2020 (unaudited)	December 31, 2019	June 30, 2020 (unaudited)	December 31, 2019
<b>Financial liabilities</b>				
Financial liabilities at amortized cost:				
Loans and borrowings with a variable interest rate	(2,509)	(2,230)	(2,451)	(2,148)
Loans and borrowings with a fixed interest rate	(1,292)	(1,167)	(1,353)	(1,170)
Lease liabilities	(161)	(146)	(168)	(143)

### 25. Related party transactions

For the purpose of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders and companies under their control (including enterprises directly or indirectly controlled by the Russian Government), associates and joint ventures, key management and pension funds.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms as transactions between unrelated parties.

The disclosure of related party transactions is presented on an aggregate basis for major shareholders and companies under their control, joint ventures and associates, and non-state pension funds. In addition, there may be additional disclosures of certain significant transactions (balances and turnovers) with certain related parties.

In the course of its ordinary business, the Company enters into transactions with other companies controlled by the Russian Government. In the Russian Federation, electricity and transport tariffs are regulated by the Federal Antimonopoly Service, an authorized governmental agency of the Russian Federation. Bank loans are recorded based on market interest rates. Taxes are accrued and paid in accordance with applicable tax law. The Company sells crude oil and petroleum products to and purchases crude oil and petroleum products from related parties in the ordinary course of business at prices close to average market prices.

#### Transactions with major shareholders and companies under their control

##### *Revenues and income*

	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Oil, gas, petroleum products and petrochemicals sales	247	278
Support services and other revenues	1	3
Finance income	9	12
Other income	1	–
	258	293



# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 25. Related party transactions (continued)

#### Transactions with major shareholders and companies under their control (continued)

##### *Costs and expenses*

	<b>Six months ended June 30, 2020 (unaudited)</b>	<b>Six months ended June 30, 2019 (unaudited)</b>
Production and operating expenses	9	5
Cost of purchased oil, gas, petroleum products and refining costs	25	31
Transportation costs and other commercial expenses	224	239
Other expenses	5*	11
Finance expenses	19	23
	<b>282</b>	<b>309</b>

\* Including effect of acquisitions and disposals of subsidiaries and shares in joint operations (Note 4).

##### *Other operations*

	<b>Six months ended June 30, 2020 (unaudited)</b>	<b>Six months ended June 30, 2019 (unaudited)</b>
Acquisitions and disposals of subsidiaries and shares in joint operations and associates (Note 4)	(8)	(1)
Loans received	278	101
Loans repaid	(213)	(300)
Loans and borrowings issued	(2)	(1)
Deposits placed	–	(36)
Deposits repaid	–	67

##### *Settlement balances*

	<b>June 30, 2020 (unaudited)</b>	<b>December 31, 2019</b>
<b>Assets</b>		
Cash and cash equivalents	45	88
Accounts receivable	140	100
Prepayments and other current assets	35	44
Other financial assets	148	225
	<b>368</b>	<b>457</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	454	279
Loans and borrowings and other financial liabilities	483	443
	<b>937</b>	<b>722</b>

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 25. Related party transactions (continued)

#### Transactions with joint ventures

Crude oil is purchased from joint ventures at Russian domestic market prices.

#### *Revenues and income*

	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Oil, gas, petroleum products and petrochemicals sales	8	7
Support services and other revenues	2	2
Finance income	2	8
	12	17

#### *Costs and expenses*

	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Production and operating expenses	1	3
Cost of purchased oil, gas, petroleum products and refining costs	96	154
Transportation costs and other commercial expenses	3	5
Other expenses	–	2
Finance expenses	2	1
	102	165

#### *Other operations*

	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Loans received	14	9
Loans repaid	(5)	–
Loans and borrowings issued	(3)	(1)
Repayment of loans and borrowings issued	20	1
Deposits placed	–	(7)

#### *Settlement balances*

	June 30, 2020 (unaudited)	December 31, 2019
<b>Assets</b>		
Accounts receivable	5	9
Prepayments and other current assets	1	1
Other financial assets	2	21
	8	31
<b>Liabilities</b>		
Accounts payable and accrued liabilities	109	244
Loans and borrowings and other financial liabilities	46	23
	155	267

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 25. Related party transactions (continued)

#### Transactions with associates

##### *Revenues and income*

	<b>Six months ended June 30, 2020 (unaudited)</b>	<b>Six months ended June 30, 2019 (unaudited)</b>
Oil, gas, petroleum products and petrochemicals sales	148	163
Support services and other revenues	1	1
Finance income	1	2
Other expenses	5	–
	<b>155</b>	<b>166</b>

##### *Costs and expenses*

	<b>Six months ended June 30, 2020 (unaudited)</b>	<b>Six months ended June 30, 2019 (unaudited)</b>
Production and operating expenses	1	6
Cost of purchased oil, gas, petroleum products and refining costs	15	43
Transportation costs and other commercial expenses	1	1
Other expenses	–	10
Finance expenses	4	5
	<b>21</b>	<b>65</b>

##### *Other operations*

	<b>Six months ended June 30, 2020 (unaudited)</b>	<b>Six months ended June 30, 2019 (unaudited)</b>
Loans received	60	39
Loans repaid	(18)	(71)
Repayment of loans and borrowings issued	–	1

##### *Settlement balances*

	<b>June 30, 2020 (unaudited)</b>	<b>December 31, 2019</b>
<b>Assets</b>		
Accounts receivable	61	91
Prepayments and other current assets	1	–
Other financial assets	5	11
	<b>67</b>	<b>102</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	16	35
Loans and borrowings and other financial liabilities	238	232
	<b>254</b>	<b>267</b>

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 25. Related party transactions (continued)

#### Transactions with non-state pension funds

##### *Costs and expenses*

	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Other expenses	2	4

##### *Other operations*

	Six months ended June 30, 2020 (unaudited)	Six months ended June 30, 2019 (unaudited)
Loans received	–	4
Loans repaid	–	(6)

##### *Settlement balances*

	June 30, 2020 (unaudited)	December 31, 2019
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1	2
Loans and borrowings and other financial liabilities	–	–
	<b>1</b>	<b>2</b>

### 26. Contingencies

#### Russian business environment

The Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries. Ruble interest rates remained high. The combination of the above has resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. Management is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

The Company also has investments in subsidiaries, associates and joint ventures and advances issued to counterparties operating in foreign jurisdictions. Besides commercial risks being a part of any investment operation, assets in a number of regions of the Company's activities also bear political, economic and tax risks which are analyzed by the Company on a regular basis.

Since the beginning of March 2020, the world markets are experiencing a significant decline in oil demand and oil prices, in particular as a result of COVID-19 pandemic. Russian ruble value has fallen significantly against the major world currencies. Should these factors continue in the long-term, it will continue to have a significant impact on the Company's financial position, cash flows and results of operations.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 26. Contingencies (continued)

#### Legal claims

Rosneft and its subsidiaries are involved in litigations which arise from time to time in the course of their business activities. Management believes that the ultimate results of these litigations will not materially affect the performance or financial position of the Company. Reliably estimated probable obligations were recognized within provisions in the interim condensed consolidated financial statements of the Company (Note 21).

#### Taxation

Legislation and regulations regarding taxation in Russia continue to evolve. Various legislative acts and regulations are not always clearly written, and their interpretation is subject to the opinions of the taxpayers, and local, regional, and national tax authorities, and the Ministry of Finance of the Russian Federation. Instances of inconsistent opinions are not unusual.

In Russia, tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the period of three calendar years preceding the year when the inspection started.

In accordance with Russian tax legislation, if an understatement of a tax liability is detected as a result of an inspection, penalties and fines to be paid might be material in respect of the tax liability misstatement.

During the reporting period, the tax authorities continued their inspections of some of Rosneft subsidiaries for 2015-2018. The Company's management does not expect the outcome of the inspections to have a material impact on the Company's consolidated balance sheet or results of operations.

As part of the new regime for fiscal control over the pricing of related party transactions, the Company and the Federal Tax Service signed a number of pricing agreements from 2012 to the first half of 2020 with respect to the taxation of oil sales and refining transactions in Russia.

The Company believes that transfer pricing risks in relation to intragroup transactions during the six months ended June 30, 2020 and earlier will not have a material effect on its financial position or results of operations.

The Company follows the rules of tax legislation on de-offshorization, including income tax rules for controlled foreign companies to calculate its current and deferred income tax estimates.

Overall, management believes that the Company has paid and accrued all taxes that are applicable. For taxes where uncertainty exists, the Company has accrued tax liabilities based on management's best estimate of the probable outflow of resources that will be required to settle these liabilities.

#### Capital commitments

The Company and its subsidiaries are engaged in ongoing capital projects for the exploration and development of production facilities and the modernization of the refineries and distribution network. The budgets for these projects are generally set on an annual basis.

The total amount of contracted but not yet delivered goods and services related to the construction and acquisition of property, plant and equipment amounted to RUB 836 billion and RUB 762 billion as of June 30, 2020 and December 31, 2019, respectively.

# Rosneft Oil Company

## Notes to the interim condensed consolidated financial statements (unaudited) (continued)

### 26. Contingencies (continued)

#### **Environmental liabilities**

The Company periodically evaluates its environmental liabilities pursuant to environmental regulations. Such liabilities are recognized in the consolidated financial statements as and when identified. Potential liabilities, which could arise as a result of changes in existing regulations or the settlement of civil litigation, or as a result of changes in environmental standards, cannot be reliably estimated but may be material. With the existing system of control, management believes that there are no material liabilities for environmental damage other than those recorded in these interim condensed consolidated financial statements.

#### **Risks and opportunities associated with climate change**

Within the framework of its corporate risk management system, the Company on an annual basis identifies and evaluates risks and opportunities related to climate change impact on its business activities.

In the process of investment decision making, the risks associated with health, safety and environment (HSE), ecology, and climate change are analyzed. For large projects, the analysis of the alignment with the Company's strategic goals, environmental standards and requirements of the Russian and international legislation is performed, as well as the analysis and assessment of external risks related to the impact on the environment (changes in legislation, changes in technologies, market risks, reputation risks, etc.).

In addition, the risks and opportunities associated with climate change and the transition to low-carbon energy are considered in the Company's strategic management and business planning processes (especially for projects located in climate-sensitive regions: marine projects, Arctic projects, etc.) as well as for of the global energy developments scenario planning.

#### **Other matters**

Due to the pollution of oil in the trunk pipeline "Druzhba" in April 2019 a number of claims from the customers were submitted to PJSC "Rosneft Oil Company" during the first half of 2020, stating that the supplied oil contains substantially exceeded maximum permitted levels of organochlorine compounds (compared to levels determined by the relevant technical regulations and standards). At the same time, PJSC "Rosneft Oil Company" delivered oil to the system of oil trunk pipelines of PJSC "Transneft" in compliance with the requirements of technical regulations and standards.

Also, the Company received claims from the customers who were not delivered the contracted amounts of oil due to the oil pumping interruption in the trunk oil pipeline "Druzhba" resulting from the contamination.

Calculation of losses incurred by PJSC "Rosneft Oil Company" can be finalized after the completion of the comprehensive assessment of the impact of the incident on the Company's activities (including the forced reduction in oil production due to the reduced oil intake into the system of PJSC "Transneft"), obtaining a complete and documentary supported claims from all counterparties and their re-submission to PJSC "Transneft" for compensation.

## **Contact information**

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